Immunovaccine Inc.

Unaudited Consolidated Financial Statements
September 30, 2011

November 8, 2011

NOTICE

Notice in accordance with National Instruments 51-102, Part 4, subsection 4.3 (3) (a).

The accompanying unaudited interim condensed consolidated financial statements of **Immunovaccine Inc.** ("Immunovaccine" or the "Company") for the nine months ended September 30, 2011 have been prepared by Management and approved by the Audit Committee of the Board of Directors of the Company.

These unaudited interim condensed consolidated financial statements have not been reviewed by the external auditors of the Company.

November 8, 2011

Management's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of Immunovaccine Inc. are the responsibility of management and have been approved by the Board of Directors. The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgement.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited interim condensed consolidated financial statements, and recommended their approval by the Board of Directors.

(signed) "*John J. Trizzino*"
Chief Executive Officer

(signed) "*Kimberly Stephens*"
Chief Financial Officer

Immunovaccine Inc.

Unaudited Consolidated Statements of Financial Position

As at September 30, 2011, December 31, 2010 and January 1, 2010

(Expressed in Canadian dollars)

	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	4,204,796	10,413,047	7,777,303
Amounts receivable	1,668,032	469,990	595,436
Share subscription receivable	–	–	28,877
Prepaid expenses	454,468	288,068	183,441
Investment tax credits receivable	645,669	784,106	510,448
	6,972,965	11,955,211	9,095,505
Intangible asset (note 4)	361,978	391,327	430,460
Property and equipment (note 4)	412,650	332,697	322,356
	7,747,593	12,679,235	9,848,321
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	490,175	700,136	720,861
Amounts due to directors	45,274	81,705	–
Current portion of long-term debt (notes 4 and 5)	76,736	57,683	67,821
Deferred revenues	–	–	24,000
	612,185	839,524	812,682
Long-term debt (notes 4 and 5)	757,690	573,876	462,761
	1,369,875	1,413,400	1,275,443
Shareholders' Equity	6,377,718	11,265,835	8,572,878
	7,747,593	12,679,235	9,848,321

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

(signed) *"James W. Hall"*, Director

(signed) *"Albert Scardino"*, Director

Immunovaccine Inc.

Unaudited Consolidated Statements of Changes in Equity

For the periods ended September 30, 2011, December 31, 2010 and January 1, 2010

(Expressed in Canadian dollars)

	Share Capital $	Contributed Surplus $	Warrants $	Deficit $	Total $
Balance, January 1, 2010	18,730,299	718,848	136,672	(11,012,941)	8,572,878
Loss for the period	–	–	–	(4,192,096)	(4,192,096)
Issuance of shares	5,171,992	–	–	–	5,171,992
Warrants exercised	455,573	–	(136,672)	–	318,901
Warrants granted	–	–	1,590,402	–	1,590,402
Employee share options:					
Value of services recognized	–	800,692	–	–	800,692
Proceeds on issuing shares	188,013	(52,373)	–	–	135,640
Balance, September 30, 2010	24,545,877	1,467,167	1,590,402	(15,205,037)	12,398,409
Loss for the period	–	–	–	(1,461,684)	(1,461,684)
Issuance of share capital in lieu of professional fees	9,000	9,000	–	–	18,000
Employee share options:					
Value of services recognized	–	181,128	–	–	181,128
Proceeds on issuing shares	173,451	(43,469)	–	–	129,982
Balance, December 31, 2010	24,728,328	1,613,826	1,590,402	(16,666,721)	11,265,835
Loss for the period	–	–	–	(5,418,931)	(5,418,931)
Issuance of share capital in lieu of professional fees	36,000	(9,000)	–	–	27,000
Employee share options:					
Value of services recognized	–	503,814	–	–	503,814
Balance, September 30, 2011	24,764,328	2,108,640	1,590,402	(22,085,652)	6,377,718

The accompanying notes form an integral part of these financial statements.

Immunovaccine Inc.

Unaudited Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2011 and 2010

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Revenue	–	6,000	–	70,105
Expenditures				
General and administrative	335,686	503,127	1,081,544	1,578,492
Research and development	972,565	688,311	3,635,242	1,802,833
Business development	157,818	239,514	612,323	819,676
Interest	30,389	20,400	89,822	61,200
	1,496,458	1,451,352	5,418,931	4,262,201
Net loss and comprehensive loss for the period	(1,496,458)	(1,445,352)	(5,418,931)	(4,192,096)
Basic and diluted loss per share	(0.03)	(0.03)	(0.10)	(0.09)
Weighted-average shares outstanding	53,987,084	46,777,459	53,979,697	45,829,833

The accompanying notes form an integral part of these financial statements.

Immunovaccine Inc.

Unaudited Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2011 and 2010

(Expressed in Canadian dollars)

	Three months ended September 30, 2011 $	Three months ended September 30, 2010 $	Nine months ended September 30, 2011 $	Nine months ended September 30, 2010 $
Cash provided by (used in)				
Operating activities				
Net loss for the period	(1,496,458)	(1,445,352)	(5,418,931)	(4,192,096)
Charges to operations not involving cash				
Amortization of intangible asset	9,783	9,784	29,349	29,350
Depreciation of property and equipment	22,060	20,613	65,006	58,425
Accretion of long-term debt	30,390	20,400	89,822	61,200
Stock-based compensation	86,920	180,527	503,814	804,430
Shares issued for professional services	–	–	27,000	–
Loss on the disposal of assets	–	–	3,347	–
	(1,347,305)	(1,214,028)	(4,700,593)	(3,238,691)
Net change in non-cash working capital balances related to operations				
Decrease (increase) in amounts receivable	(1,502,297)	32,109	(1,198,042)	206,495
Decrease in subscriptions receivable	–	–	–	28,877
Increase in prepaid expenses	(256,540)	(12,582)	(166,400)	(42,890)
Decrease (increase) in investment tax credits receivable	(45,000)	(171,000)	138,437	(227,000)
Increase (decrease) in accounts payable and accrued liabilities	(223,239)	162,646	(209,961)	7,279
Decrease in amounts due to directors	(2,545)	–	(36,431)	–
Decrease in deferred revenues	–	(6,000)	–	(18,000)
	(3,376,926)	(1,208,855)	(6,172,990)	(3,283,930)
Financing activities				
Proceeds from issuance of capital stock	–	7,465,100	–	7,465,100
Shares and warrant issuance costs	–	(700,422)	–	(700,422)
Proceeds from long-term debt	98,700	31,465	145,490	55,693
Repayment of long-term debt	(13,089)	(9,678)	(32,445)	(29,034)
Proceeds from exercise of stock options	–	54,217	–	134,034
Proceeds from the exercise of warrants	–	318,901	–	318,901
	85,611	7,159,583	113,045	7,244,272
Investing activities				
Acquisition of property and equipment	(7,692)	(11,549)	(148,306)	(80,639)
Net change in cash and cash equivalents during the period	(3,299,007)	5,939,179	(6,208,251)	3,879,703
Cash and cash equivalents – Beginning of period	7,503,803	5,717,827	10,413,047	7,777,303
Cash and cash equivalents – End of period	4,204,796	11,657,006	4,204,796	11,657,006
Cash and cash equivalents are comprised of the following:				
Cash on hand and balances with banks	333,655	1,806,497	333,655	1,806,497
Short-term investments	3,871,141	9,850,509	3,871,141	9,850,509
	4,204,796	11,657,006	4,204,796	11,657,006

The accompanying notes form an integral part of these financial statements.

(Expressed in Canadian dollars)

1 Nature of operations

Immunovaccine Inc. ("Immunovaccine" or the "Company") is, through its 100% owned subsidiary ImmunoVaccine Technologies Inc., a clinical stage biotechnology company dedicated to the development of premium vaccines for therapeutic cancer and infectious diseases. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise. Immunovaccine has patented vaccine delivery and enhancement technologies trade named VacciMax® and DepoVax™ and has a number of early stage infectious disease and cancer vaccine product candidates. The Company also partners with other companies to help them develop human and animal vaccine candidates. Incorporated and domiciled in Halifax, Nova Scotia, the shares of Immunovaccine are listed on the TSX-Venture Exchange ("TSX-V") with the symbol IMV. The address of its principal place of business is 1344 Summer Street, Suite 412, Halifax, Nova Scotia, Canada.

2 Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company is reporting on this basis in these unaudited interim condensed consolidated financial statements. In the financial statements, the term ("Canadian GAAP") refers to Canadian GAAP before the adoption of IFRS.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, International Accounting Standards 34 "*Interim Financial Reporting*" and IFRS 1, "*First-time Adoption of International Financial Reporting Standards*". Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, operating performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2010.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of November 8, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these unaudited interim condensed consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual audited consolidated financial statements for the year ended December 31, 2010. Note 4 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual audited consolidated financial statements.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are described below.

Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention.

Consolidation

The financial statements of the Company consolidate the accounts of Immunovaccine Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Foreign currency translation

i) Functional and presentation currency

Items included in the unaudited interim condensed consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is Immunovaccine Inc.'s functional currency.

ii) Transactions and balances

Foreign currency translation of monetary assets and liabilities, denominated in currencies other than the Company's functional currency, are converted at the rate of exchange in effect at the statement of financial position date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining income or loss for the period. Foreign exchange gains of $10,399 and $14,602 for the three and nine months ended September 30, 2011, respectively, (three and nine months ended September 30, 2010, foreign exchange loss - $15,093 and $12,901, respectively) are included in general and administrative expenses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid temporary investments that are readily convertible to known amounts of cash.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss or other comprehensive loss.

The Company has implemented the following classifications:

- Cash and cash equivalents and amounts receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest method; and

- Accounts payable and accrued liabilities, amounts due to directors and long-term debt are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss for financial assets carried at amortized cost. The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Property and equipment (continued)

Depreciation of property and equipment is calculated using the declining-balance method at the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%
Laboratory equipment	20%

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

Intangible assets

The intangible asset, consisting of a license with a finite life, is carried at its cost, net of accumulated amortization. Amortization is provided over its estimated useful life of 10.5 years on a straight-line basis.

Impairment of non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less the costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Income tax (continued)

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Research and development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits.

Revenue recognition

In general, revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenues comprise the fair value of the consideration received or receivable for services in the ordinary course of the Company’s activities.

Revenues related to research agreements are bound to milestone agreements and are recorded as the milestones are reached and upon customer acceptance. Under these agreements, the payments received in advance are recognized as deferred revenue in the statement of financial position, and then as revenue when milestones are reached and upon customer acceptance. Revenues from research agreements are recognized using the percentage-of-completion method.

The existing licensing agreements usually foresee one-time payment (upfront payment) and milestone payments. Revenues associated with those multiple-element arrangements are allocated to the various elements based on their relative fair value. The consideration received is allocated among the separate units based on each unit’s fair value or using the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

License fees representing non-refundable payments received upon the execution of license agreements are recognized as revenue upon execution of the license agreements when the Company has no significant future performance obligations and collectability of the fees is assured. Upfront payments received at the beginning of licensing agreements are not recorded as revenue when received but are amortized based on the progress of the related research and development work. This progress is based on estimates of total expected time or duration to complete the work which is compared to the period of time incurred to date in order to arrive at an estimate of the percentage or revenue earned to date.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Deferred revenue

Revenue that has been paid for by customers but did not qualify for recognition at the end of the period, under the Company's policies, is reflected as deferred revenue.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Loss per share

Basic loss per share ("LPS") is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted LPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Stock-based compensation plan

The Company grants stock options to certain employees and non-employees. The majority of the stock options vest over 18 months (33 1/3% per six months) and expire after five years. In 2011, the Company granted stock options which vest over 2 years (33 1/3% immediately, 33 1/3% in year 1 and in year 2). Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Government assistance

Non-repayable government assistance is recorded in the period earned as a reduction in the related qualifying expenditure. During the three and nine months ended September 30, 2011, the Company recorded $22,500 and $114,031, respectively, of non-repayable government grants, from a number of government agencies, as a reduction in related research salaries (three and nine months ended September 30, 2010 - $76,714 and $193,813, respectively). At September 30, 2011, $1,545,000 (December 31, 2010 - $378,703) of government assistance, including government loans, is included in amounts receivable. The fully executed Repayable Articles of Agreement for the Atlantic Innovation Fund government loan, with a maximum contribution of $2,944,000, was signed on September 15, 2011, and the first claim filed under this Agreement was for the period September 1, 2010 to September 30, 2011.

Research and development tax credits

Investment tax credits relating to scientific research and experimental development expenditures are recorded in the accounts in the fiscal period in which the qualifying expenditures are incurred provided there is reasonable assurance that the tax credits will be realized. Investment tax credits, in connection with research and development activities, are accounted for using the cost reduction method which recognizes the credits as a reduction of the cost of the related property and equipment or expenses.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Accounting standards issued but not yet applied

IFRS 9, Financial Instruments

The International Accounting Standards Board ("IASB") has issued IFRS 9, "Financial Instruments" ("IFRS 9"), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. Immunovaccine Inc. continues to assess the impact of IFRS 9 on its consolidated statement of loss and comprehensive loss and financial position.

IFRS 10, Consolidated Financial Statements

The IASB Issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), effective for annual periods beginning on or after January 1, 2013, IFRS 10 replaces portions of International Accounting Standards ("IAS") 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. Immunovaccine Inc. continues to assess the impact of IFRS 10 on its consolidated statement of loss and comprehensive loss and financial position.

IFRS 11, Joint Ventures

The IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") was amended to reflect the guidance provided in IFRS 10 and IFRS 11. Currently, this standard has no impact on the consolidated financial statements of Immunovaccine Inc.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12") effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interest on its financial position and performance. Immunovaccine Inc. continues to assess the impact of IFRS 12 on its consolidated financial statements.

IFRS 13, Fair Value measurement

The IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") effective for annual periods beginning on or after January 13, 2013. IFRS defines fair value, provides guidance in a single frame work for measuring fair value, and identifies the required disclosures pertaining to fair value measurement. Immunovaccine Inc. continues to assess the impact of IFRS 13 on its consolidated statement of loss and comprehensive loss and financial position.

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. The following estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

i) Amounts recorded for amortization, depreciation, and impairment of property, equipment and intangibles which depend on estimates of net recoverable amounts based on expected economic lives and future cash flows from related assets;

ii) Amounts recorded for investment tax credits which are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's financial statements;

iii) Contingencies are accrued when it is probable that a liability for past events exists and the liability can be reasonably estimated. In determining whether a liability exists, the Company is required to make judgments as to the probability of a future event occurring;

iv) Allocation of proceeds between common shares and warrants;

v) Calculation of fair value of long-term debt. Refer to note 4v)i) for further detail; and

vi) Calculation of fair value of stock-based compensation.

4 Transition to IFRS

The Company transitioned to IFRS effective January 1, 2010 ("the transition date") and has prepared its opening IFRS statement of financial position as at that date. The actual adoption date of IFRS is January 1, 2011, the date from which the Company presents its annual and interim financial statements, including comparative information, in accordance with IFRS. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These unaudited interim condensed consolidated financial statements have been prepared in accordance with the policies referenced in note 3. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The IFRS standards and IFRS Interpretations Committee interpretations that will be applicable at December 31, 2011, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Accordingly, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time. Should this be the case, the Company will disclose the changes to the opening statement of financial position and comparative statement of financial position in its December 31, 2011 financial statements.

(Expressed in Canadian dollars)

4 Transition to IFRS (continued)

The effect of the Company's transition to IFRS is summarized in this note as follows:

i) Transition elections;
ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS;
iii) Explanatory notes of significant differences in accounting policies between Canadian GAAP and IFRS;
iv) Adjustments to the statements of cash flows; and
v) Additional IFRS information for the year ended December 31, 2010.

i) Transition elections

The Company's first financial statements are prepared under IAS 34 and IFRS 1, "First-time Adoption of IFRS". The Company has only applied the transition exemptions for share-based payments. In general, IFRS 2, "Share-based Payment", is to be applied to all grants of shares, options or other equity instruments made after November 7, 2002. The exemption under IFRS 1 allows first-time adopters to not apply IFRS 2 to equity instruments that were granted prior to November 7, 2002. It also allows the first-time adopter to not apply IFRS 2 to equity instruments granted after November 7, 2002 that vested before transition to IFRS. The Company has chosen to utilize this exemption.

ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS

Equity	**Note 4 (iii)**	**December 31, 2010 $**	**September 30, 2010 $**	**January 1, 2010 $**
Equity as reported under Canadian GAAP		4,885,908	6,264,464	3,295,680
IFRS adjustment increase (decrease):				
Revaluation of investment tax credits receivable	a	(34,000)	(40,000)	(43,000)
Revaluation of long-term debt	b	6,413,927	6,173,945	5,320,198
Equity as reported under IFRS		11,265,835	12,398,409	8,572,878

Comprehensive loss	**Note 4 (iii)**	**Year ended December 31, 2010 $**	**Three months ended September 30, 2010 $**	**Nine months ended September 30, 2010 $**
As reported under Canadian GAAP		(6,503,069)	(1,499,166)	(4,799,380)
Increase (decrease) in net loss for:				
Revaluation of investment tax credits receivable	a	9,000	(3,000)	3,000
Revaluation of long-term debt	b	1,093,729	64,186	853,747
Stock-based compensation	c	(253,440)	(7,372)	(249,463)
As reported under IFRS		(5,653,780)	(1,445,352)	(4,192,096)

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP and IFRS

	Note	For the year ended December 31, 2010			For the three months ended September 30, 2010			For the nine months ended September 30, 2010		
	4(iii)	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Revenue		76,105	–	76,105	6,000	–	6,000	70,105	–	70,105
Expenses										
General and administrative	c	1,878,697	88,745	1,967,442	497,800	5,327	503,127	1,499,125	79,367	1,578,492
Research and development	a/b/c	3,672,249	(1,040,742)	2,631,507	768,114	(79,803)	688,311	2,573,167	(770,334)	1,802,833
Business development	c	1,028,228	21,108	1,049,336	239,252	262	239,514	797,193	22,483	819,676
Interest	b	–	81,600	81,600	–	20,400	20,400	–	61,200	61,200
		6,579,174	(849,289)	5,729,885	1,505,166	(53,814)	1,451,352	4,869,485	(607,284)	4,262,201
Net loss and comprehensive loss for the period		(6,503,069)	849,289	(5,653,780)	(1,499,166)	53,814	(1,445,352)	(4,799,380)	607,284	(4,192,096)
Basic and diluted loss per share		(0.14)		(0.12)	(0.03)		(0.03)	(0.10)		(0.09)
Weighted-average shares outstanding		47,789,397		47,789,397	46,777,459		46,777,459	45,829,833		45,829,833

iii) Explanatory notes of significant differences in accounting policies between Canadian GAAP and IFRS

a) Under IFRS, the investment tax credits receivable must be measured initially at fair value. Under Canadian GAAP, these are measured at cost, however due to the length of time between recording the receivable and collection, the receivable must be adjusted to reflect the time value of money. The adjustment required a decrease to the investment tax credits receivable of $43,000 at January 1, 2010 which was subsequently accreted to the statements of loss with an increase of $3,000 and a charge of $3,000 for the three and nine months ended September 30, 2010, respectively, and $9,000 for the year ended December 31, 2010.

b) Under IFRS, a government loan that has a 'below market rate of interest' should be measured at initial recognition at fair value, with any difference between the contribution received for the loan and the fair value amount accounted for as a government grant. These are subsequently measured at amortized cost using the effective interest rate.

The ACOA Atlantic Innovation Fund interest-free loan, with a maximum contribution of $3,786,474, was recorded at $243,000 at January 1, 2010, $303,750 at September 30, 2010 and $295,592 at December 31, 2010. Imputed interest on the loan is being accreted to the amounts repayable over the remaining term of the loan. $20,250 and $60,750 of accreted interest was recorded for the three and nine months ended September 30, 2010, respectively, and $81,000 for the year ended December 31, 2010.

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

iii) Explanatory notes of significant differences in accounting policies between Canadian GAAP and IFRS (continued)

The ACOA Atlantic Innovation Fund interest-free loan, with a maximum contribution of $3,000,000, was recorded at $1,000 at January 1, 2010, $1,450 at September 30, 2010 and $1,600 at December 31, 2010. Imputed interest on the loan is being accreted to the amounts repayable over the remaining term of the loan. $150 and $450 of accreted interest was recorded for the three and nine months ended September 30, 2010, respectively, and $600 for the year ended December 31, 2010.

c) Under IFRS, the Company accrues the costs of employee stock options over the vesting period using the graded method of amortization rather than the straight-line method, which was the Company's policy under Canadian GAAP. To calculate the fair value of the stock options using the Black-Scholes valuation model, the Company also included a forfeiture rate. Combined, this increased contributed surplus and the deficit at the date of transition by $84,878, and increased stock-based compensation expense by $7,372 and $249,463 for the three and nine months ended September 30, 2010, respectively, and by $253,440 for the year ended December 31, 2010.

d) The following is a summary of transition adjustments to the Company's deficit from Canadian GAAP to IFRS:

	December 31, 2010 $	September 30, 2010 $	January 1, 2010 $
Deficit as reported under Canadian GAAP	(22,708,330)	(21,004,641)	(16,205,261)
IFRS adjustment increase (decrease):			
Revaluation of investment tax credits	(34,000)	(40,000)	(43,000)
Revaluation of long-term debt	6,413,927	6,173,945	5,320,198
Amortization of employee stock options	(338,318)	(334,341)	(84,878)
	6,041,609	5,799,604	5,192,320
Deficit as reported under IFRS	(16,666,721)	(15,205,037)	(11,012,941)

iv) Adjustments to the statements of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows generated by the Company, however the effect of recording the investment tax credits at fair value, the long-term debt at fair value and adjustments made to the stock-based compensation expense resulted in a change of presentation of the cash flows received. The differences arising from these changes described in Note 4 iii) reduced the net loss by $53,814, $607,284 and $849,289 for the three and nine months ended September 30, 2010 and year ended December 31, 2010, respectively. The Company also recorded accreted interest relating to the interest-free loans of $20,400, $61,200 and $81,600, for the three and nine months ended September 30, 2010 and year ended December 31, 2010, respectively, which were added back as non-cash items in the statements of cash flows.

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010

The following IFRS disclosures relating to the year ended December 31, 2010 are material to the understanding of the unaudited interim condensed consolidated financial statements.

i) Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are estimates and judgments not previously made under Canadian GAAP that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the 2011 financial year.

Fair value of long-term debt

The Company decreased the carrying value of certain loans to their fair value on the date the loans were originally received. IFRS provides that a government loan that has a 'below market rate of interest' should be measured at initial recognition at the fair value, with any difference between the contribution received and the carrying amount accounted for as a government grant. The Company's government loans from ACOA are interest-free and therefore have below market terms.

The Company's ACOA Atlantic Innovation Fund loans, which are interest-free, have repayment terms based on the Company's future revenue. The loans are only repayable when and if revenues are realized from certain products, which are in the very early development-stage or clinical-stage. The fair values of these loans were determined by forecasting the Company's future revenue, and then discounting back at an appropriate discount rate. The estimates and assumptions used in the valuation model were based on current information available to management. The estimates and assumptions used involved significant judgment in estimating the amount and timing of future revenues for products that are still in the early development-stage or clinical-stage, as well as the discount rate. A change in management's assumptions used to forecast future revenue or a change in the discount rate, could have a material impact on the carrying value and fair value of these interest-free government loans due to the need to revise estimated cash flows.

ii) Compensation of key management

Key management includes the Company's Directors, the former President and Chief Executive Officer, the Chief Operating Officer-Chief Science Officer, the former Chief Financial Officer and the former Vice President and Corporate Secretary. Compensation awarded to key management is summarized as follows:

	Year ended December 31, 2010 $
Salaries and other benefits	1,066,625
Stock-based compensation	433,836
RRSP matching contributions	18,090
	1,518,551

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

iii) Intangible asset

On July 9, 2009, the Company purchased an exclusive world-wide license for the use of certain patented antigens for $446,765. These antigens are being used in the Company's therapeutic cancer vaccine candidate, DPX-0907. Under the terms of the license, the Company must pay certain royalties on commercial revenues generated through use of the antigens. As DPX-0907 has not yet reached commercial production, the license does not have an expiry date. The Company plans to use the antigens for the foreseeable future and is therefore amortizing the cost of the license over its expected useful life of 10.5 years, which is the remaining life of the underlying patents.

	License $
At January 1, 2010	
Cost	446,765
Accumulated amortization	(16,305)
Net book value	430,460
Year ended December 31, 2010	
Opening net book value	430,460
Amortization for the period	(39,133)
Closing net book value	391,327
At January 1, 2011	
Cost	446,765
Accumulated amortization	(55,438)
Net book value	391,327
Period ended September 30, 2011	
Opening net book value	391,327
Amortization for the period	(29,349)
Closing net book value	361,978
At September 30, 2011	
Cost	446,765
Accumulated amortization	(84,787)
Net book value	361,978

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

iv) Property and equipment

	Computer equipment $	Furniture and equipment $	Laboratory equipment $	Total $
At January 1, 2010				
Cost	110,390	44,287	519,378	674,055
Accumulated depreciation	(68,227)	(33,078)	(250,394)	(351,699)
Net book value	42,163	11,209	268,984	322,356
Year ended December 31, 2010				
Opening net book value	42,163	11,209	268,984	322,356
Additions	25,178	3,873	60,158	89,209
Depreciation for the period	(16,425)	(2,629)	(59,814)	(78,868)
Closing net book value	50,916	12,453	269,328	332,697
At January 1, 2011				
Cost	135,568	48,160	579,536	763,264
Accumulated depreciation	(84,652)	(35,707)	(310,208)	(430,567)
Net book value	50,916	12,453	269,328	332,697
Period ended September 30, 2011				
Opening net book value	50,916	12,453	269,328	332,697
Additions	4,238	37,214	106,854	148,306
Disposal	–	(3,347)	–	(3,347)
Depreciation for the period	(11,933)	(4,660)	(48,413)	(65,006)
Closing net book value	43,221	41,660	327,769	412,650
At September 30, 2011				
Cost	139,806	61,191	686,390	887,387
Accumulated depreciation	(96,585)	(19,531)	(358,621)	(474,737)
Net book value	43,221	41,660	327,769	412,650

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

v) Long-term debt

	September 30, 2011 $	December 31, 2010 $
Balance – Beginning of period	631,559	530,582
New debt	145,490	86,497
Accreted interest	89,822	81,600
Repayment of debt	(32,445)	(67,120)
Balance – end of period	834,426	631,559
Less: current portion	76,736	57,683
Non-current portion	757,690	573,876

vi) Expenses by nature

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011 $	2010 $	2011 $	2010 $	2010 $
Salaries, wages and benefits	423,738	448,306	1,320,936	1,450,274	1,834,262
Research and development expenditures, including clinical costs	1,975,662	556,867	3,821,521	1,563,246	2,363,954
Professional and consulting fees	255,386	252,252	812,011	878,593	920,996
Office, rent and telecommunications	78,094	80,487	227,238	237,854	318,251
Insurance	18,530	19,814	50,206	59,940	77,904
Marketing, communications and investor relations	35,473	50,011	106,838	139,633	612,320
Amortization	9,783	9,784	29,349	29,350	39,133
Depreciation	22,060	20,613	65,006	58,425	78,868
Stock-based compensation	86,920	180,527	503,814	804,430	985,558
Accreted interest	30,390	20,400	89,822	61,200	81,600
Other	21,222	144,591	179,579	315,015	79,703
Research and development tax credits	(45,000)	(171,000)	(193,500)	(227,000)	(349,000)
Government assistance	(1,415,800)	(161,300)	(1,593,889)	(1,108,759)	(1,313,664)
	1,496,458	1,451,352	5,418,931	4,262,201	5,729,885

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

vii) Income taxes

Reconciliation of total tax recovery

The effective rate on the Corporation's loss before income tax differs from the expected amount that would arise using the statutory income tax rates. A reconciliation of the difference is as follows:

	Three months ended September 30, 2011 $	Three months ended September 30, 2010 $	Nine months ended September 30, 2011 $	Nine months ended September 30, 2010 $
Loss before income taxes	(1,496,458)	(1,445,352)	(5,418,931)	(4,192,096)
Income tax rate	32.5%	34.0%	32.5%	34.0%
	(486,000)	(491,000)	(1,761,000)	(1,425,000)
Effect on income taxes of:				
Non-deductible stock-based compensation	29,000	62,000	164,000	274,000
Non-deductible accretion of long-term debt	10,000	7,000	29,000	21,000
Unrecognized deductible temporary difference and carry forward amounts and experimental development expenditures	447,000	422,000	1,569,000	1,131,000
Other non-deductible items	–	–	(1,000)	(1,000)
Income tax expenses	–	–	–	–

Deferred tax

The significant components of the Company's deferred income are as follows:

	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Deferred income tax liabilities:			
Property and equipment	(6,000)	(23,000)	(32,000)
Deferred income tax assets:			
Deductible share issues costs	6,000	23,000	32,000
Net deferred income tax liability	–	–	–

The following reflects the balance of temporary differences for which no income tax asset has been recognized:

	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Non-capital losses	15,015,000	10,580,000	7,020,000
Scientific research and experimental development expenditures	3,116,000	2,570,000	1,700,000
Investment tax credits	734,000	520,000	170,000
Deductible share issuance costs	1,065,000	1,094,000	617,000

(Expressed in Canadian dollars)

5 Long-term debt

	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Atlantic Canada Opportunities Agency ("ACOA") Atlantic Innovation Fund interest-free loan with a maximum contribution of $3,786,474. Annual repayments, commencing December 1, 2008, are calculated as a percentage of gross revenue for the preceding fiscal year, at 2% when gross revenues are less than $5,000,000 and 10% when gross revenues are greater than $5,000,000. As at September 30, 2011, the amount drawn down on the loan, net of repayments, is $3,751,053	381,091	295,592	243,000
ACOA Marketing interest-free loan, repayable in 60 equal monthly payments of $3,226 beginning November 1, 2008. As at September 30, 2011, the amount drawn down on the loan, net of repayments, is $80,645	77,205	109,679	148,392
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of $3,000,000. Annual repayments, commencing December 1, 2011, are calculated as a percentage of gross revenue from specific product(s), 5% for the first 5-year period and 10%, thereafter. As at September 30, 2011, the amount drawn down on the loan is $3,000,000	2,200	1,600	1,000
ACOA Business Development Program interest-free loan with a maximum contribution of $245,625, repayable in 72 equal monthly payments of $3,411 beginning September 1, 2011. As at September 30, 2011, the amount drawn down on the loan, net of repayments, is $242,214	211,295	224,688	138,190
ACOA Business Development Program interest-free loan with a maximum contribution of $75,000, repayable in monthly payments beginning October 1, 2011 of $500 until April 2012, $1,000 until April 2013, $1,500 until April 2014, $2,000 until April 2015 and $3,333 until August 2015. As at September 30, 2011, the amount drawn down on the loan is $72,477	63,935	–	–
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of $2,944,000, annual repayments commencing September 1, 2014, are calculated as a percentage of gross revenue from specific product(s), 5% for the first 5 year period and 10%, thereafter. As at September 30, 2011, the amount drawn down on the loan is $1,492,000	98,700	–	–
	834,426	631,559	530,582
Less: Current portion	76,736	57,683	67,821
	757,690	573,876	462,761

Certain ACOA loans require approval by ACOA before the Company can pay management fees, bonuses, dividends or other distributions.

(Expressed in Canadian dollars)

6 Capital stock

Authorized

Unlimited number of common shares and preferred shares, issuable in series, all without par value.

	Number of common shares	Amount $
Issued and outstanding		
Balance – January 1, 2010	45,222,395	18,730,299
Issued for cash consideration	7,465,100	5,171,992
Stock options exercised	309,084	188,013
Warrants exercised	455,573	455,573
Balance – September 30, 2010	53,452,152	24,545,877
Issued in lieu of professional fees	11,689	9,000
Stock options exercised	478,037	173,451
Balance – December 31, 2010	53,941,878	24,728,328
Issued in lieu of professional fees	45,206	36,000
Balance – September 30, 2011	53,987,084	24,764,328

On September 16, 2010, the Company completed a public offering of 7,465,100 units at a price of $1.00 per unit for aggregate gross proceeds of $7,465,100. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of $1.30 for a period of three years, expiring on September 16, 2013. The value allocated to the common shares issued was $5,852,638 and the value allocated to the warrants was $1,612,462. Total costs associated with the offering were $868,758, including cash costs for commissions, professional fees and regulatory costs of $702,706, and 405,006 compensation options issued as commissions to the agents valued at $166,052. Each compensation option entitles the holder to acquire one common share of the Company at an exercise price of $1.00 for a period of two years, expiring on September 14, 2012. The Company has allocated $680,646 of the issue costs to the common shares and $188,112 of the issue costs to the warrants.

In November 2010, the Company entered into a five month consulting agreement with S.P.Angel Corporate Finance LLP (“S.P.Angel”), to act as corporate finance and European capital markets consultant and advisor. In consideration for the services rendered by S.P.Angel under the consulting agreement, the Company agreed to pay to S.P.Angel a monthly fee of $9,000, payable by issuance of common shares. The number of common shares issued to S.P.Angel in payment of the monthly fees is determined by dividing the amount of the monthly fees by the volume-weighted average price of the common shares of the Company during the last five trading days of the relevant month. As at September 30, 2011, the Company had issued 56,895 shares for services performed in the five month period November 2010 through to March 2011.

As at September 30, 2011, a total of 9,268,206 shares (September 30, 2010 – 7,421,410) are reserved to meet outstanding stock options and warrants.

(Expressed in Canadian dollars)

7 Contributed surplus

	Amount $
Contributed surplus	
Balance – January 1, 2010	718,848
Share-based compensation – stock options vested	981,820
Share-based compensation – stock options exercised	(95,842)
Shares issued in lieu of professional fees (note 6)	9,000
Balance – December 31, 2010	1,613,826
Share-based compensation – stock options vested	503,814
Shares issued in lieu of professional fees (note 6)	(9,000)
Balance – September 30, 2011	2,108,640

Stock options

The Board of Directors of the Company has established a stock option plan (the "Plan") under which options to acquire common shares of the Company are granted to directors, employees and other advisors of the Company. The maximum number of common shares issuable under the Plan shall not exceed 4,500,000, inclusive of all shares presently reserved for issuance pursuant to previously granted stock options. The total number of options awarded to all consultants for the Company shall not exceed 5% of the issued and outstanding common shares of the Company at the award date. If any option expires or otherwise terminates for any reason without having been exercised in full, or if any option is exercised in whole or in part, the number of shares in respect of which option expired, terminated or was exercised shall again be available for the purposes of the Plan.

Stock options are granted with an exercise price determined by the Board of Directors, which is not less than the market price of the shares on the day preceding the award. The term of the option is determined by the Board of Directors, not to exceed ten years from the date of grant. The vesting of the options is determined by the Board and is typically 33 1/3% every six months after the date of grant.

In the event that the option holder should die while he or she is still a director, employee or other advisor of the Company, the expiry date shall be 12 months from the date of death of the option holder, not to exceed the original expiry date of the option. In the event that the option holder ceases to be a director, employee or other advisor, of the Company other than by reason of death, the expiry date of the option shall be the 90th day following the date the option holder ceases to be a director, employee or other advisor of the Company, not to exceed the original expiry date of the option.

(Expressed in Canadian dollars)

7 Contributed surplus (continued)

Stock options (continued)

The fair values of stock options are estimated using the Black-Scholes option pricing model. During the nine months ended September 30, 2011, 1,910,000 stock options (nine months ended September 30, 2010 – 255,000) with a weighted average exercise price of $0.38 (nine months ended September 30, 2010 - $1.22) and a term of 5 years (nine months ended September 30, 2010 – 5 years), were granted to officers, directors, employees and consultants. The value of these stock options has been estimated at $419,000 (nine months ended September 30, 2010 - $213,150), which is an estimated weighted average grant date fair value per option of $0.22 (nine months ended September 30, 2010 - $0.84), using the Black-Scholes valuation model and the following weighted average assumptions:

	September 30, 2011 $	September 30, 2010 $
Risk-free interest rate	3.00%	2.21%
Expected volatility	93%	95%
Expected dividend yield	0%	0%
Expected life (years)	4.29	4.29

Option activity for the nine months ended September 30, 2011 and the year ended December 31, 2010 was as follows:

	September 30, 2011		December 31, 2010	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of period	3,817,150	0.97	3,518,687	0.81
Granted	1,910,000	0.38	1,286,500	1.04
Exercised	–	–	(787,121)	0.33
Forfeited	(596,500)	1.17	(200,916)	1.14
Outstanding, end of period	5,130,650	0.73	3,817,150	0.97

8 Related party transaction

During the nine months ended September 30, 2011, the Company carried out the following transaction which was incurred during the normal course of operations with a related party; the Company was charged $36,000 (nine months ended September 30, 2010 - $48,000) for business development consulting fees during the period that the individual was a non-executive director. Subsequent to June 2011, the individual was no longer a non-executive director.

(Expressed in Canadian dollars)

9 Capital management

The Company manages its capital to attempt to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The capital structure consists of debt, cash and cash equivalents and shareholders' equity. The Company raises capital, as necessary, to meet its needs and, therefore, does not have a numeric target for its capital structure.

	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Total debt	834,426	631,559	530,582
Less: Cash and cash equivalents	(4,204,796)	(10,413,047)	(7,777,303)
Net debt	(3,370,370)	(9,781,488)	(7,246,721)
Shareholders' equity	6,377,718	11,265,835	8,572,878
Total capital	3,007,348	1,484,347	1,326,157

The Company is in compliance with its debt covenant.

10 Financial instruments

Fair value of financial instruments

Financial instruments are defined as a contractual right on obligation to receive or deliver cash on another financial asset. The following table sets out the approximate fair values of financial instruments as at the statement of financial position date with relevant comparatives:

	September 30, 2011		December 31, 2010		January 1, 2010	
	Carrying value $	Fair value $	Carrying value $	Fair value $	Carrying value $	Fair value $
Cash and cash equivalents	4,204,796	4,204,796	10,413,047	10,413,047	7,777,303	7,777,303
Amounts receivable	1,544,561	1,544,561	379,539	379,539	400,437	400,437
Accounts payable and accrued liabilities	490,175	490,175	700,136	700,136	720,861	720,861
Amounts due to directors	45,274	45,274	81,705	81,705	–	–
Long-term debt	834,426	834,426	631,559	631,559	530,582	530,582

Assets and liabilities, such as commodity taxes, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded from amounts receivable.

Fair value of items, which are short-term in nature, have been deemed to approximate their carrying value. The above noted fair values, presented for information only, reflect conditions that existed only at September 30, 2011 and December 31, 2010 and do not necessarily reflect future value or amounts which the Company might receive if it were to sell some or all of its assets to a willing buyer in a free and open market.

(Expressed in Canadian dollars)

10 Financial instruments (continued)

Risk management

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk; credit risk; liquidity risk; and currency risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

a) Interest rate risk

The Company has no exposure to interest rate risk on its lending and borrowing activities. All outstanding debt as at September 30, 2011 and December 31, 2010 is interest free, with the vast majority only becoming repayable when revenues are earned. The remaining portion is repayable over either 60 or 72 month periods, resulting in required principal debt payments in fiscal 2011 of $57,683.

b) Credit risk

The Company invests excess cash in highly liquid temporary investments of Schedule 1 Banks. The credit risk of cash and cash equivalents is limited because the counter-parties are banks with high credit-ratings assigned by international credit-rating agencies.

The total of amounts receivable disclosed in the statement of financial position as at September 30, 2011 of $1,668,032 (December 31, 2010 - $469,990) is comprised mainly of current period advances due to the Company for government assistance programs, as well as sales taxes recoverable. If required, the balance is shown net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Historically, there have been no collection issues and the Company does not believe it is subject to any significant concentration of credit risk.

c) Liquidity risk

Liquidity risk represents the possibility that the Company may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations. At September 30, 2011, the Company had sufficient cash and cash equivalents to meet all of its liabilities for at least the next twelve months.

While the Company has $4,204,796 in cash and cash equivalents at September 30, 2011, it continues to have an ongoing need for substantial capital resources to research and develop, commercialize and manufacture its products and technologies. The Company is currently not yet receiving a significant ongoing revenue stream from its animal health license agreements, nor can it be certain that it will receive significant revenue from these agreements before additional cash is required. As a result, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize any of its products without future financing.

(Expressed in Canadian dollars)

10 Financial instruments (continued)

Risk management (continued)

c) Liquidity risk (continued)

The following table outlines the contractual maturities for the Company's financial liabilities. The long-term debt is comprised of the contributions received described in Note 5, less amounts that have been repaid as at September 30, 2011:

	Total $	Less than 1 year $	1 to 3 years $	4 to 5 years $	After 5 years $
Long-term debt	8,638,389	88,644	225,729	80,963	8,243,053
Operating leases	520,587	193,838	245,673	81,075	–
	9,158,976	282,482	471,402	162,038	8,243,053

d) Currency risk

The Company incurs some revenue and expenses in U.S. dollars, and as such, is subject to some fluctuations as a result of foreign exchange rate variation. The Company does not have in place any tools to manage its foreign exchange risk, as these U.S. dollar transactions are not significant to overall operations.

11 Projects under development

DPX-0907

DPX-0907 combines the Company's DepoVax™ delivery technology with seven HLA-A2-restricted cancer specific antigens licensed from Immunotope. The vaccine is designed with specific antigens believed to be involved in critical tumor cell processes and believed to kill tumor cells without injury to normal healthy cells. The Company commenced their Phase I clinical trial in March 2010.

(Expressed in Canadian dollars)

11 Projects under development (continued)

DPX-Survivac

DPX-Survivac uses Survivin-based antigens, in-licensed from Merck KGaA on a world-wide exclusive basis, and formulated in the DepoVax™ vaccine delivery platform. Survivin is a major tumor-associated antigen over-expressed in ovarian cancer cells, making it a viable target for immunotherapy. The Company began pre-clinical work on this project in October 2010.

DPX - 0907	**Nine months ended September 30, 2011 $**	**Nine months ended September 30, 2010 $**	**Cumulative since inception $**
Research costs expensed	955,307	1,312,653	3,654,679

DPX - Survivac	**Nine months ended September 30, 2011 $**	**Nine months ended September 30, 2010 $**	**Cumulative since inception $**
Research costs expensed	3,030,983	–	3,404,792